

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name International Academy of Flint, PSA	County Genesee
Audit Date June 30, 2004	Opinion Date August 13, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

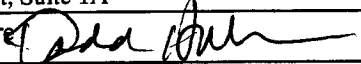
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature  Tadd A. Harburn, CPA			

International Academy of Flint, PSA

Flint, Michigan

**Financial Report
with Supplemental Information**

June 30, 2004

**International Academy of Flint, PSA
June 30, 2004**

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Independent Auditors' Report

Board of Education
International Academy of Flint, PSA
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of International Academy of Flint, PSA as of and for the year ended June 30, 2004, which collectively comprise the Public School Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Public School Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of International Academy of Flint, PSA as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise International Academy of Flint, PSA basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required

by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 13, 2004 on our consideration of the Academy's internal control over financial reporting and on our test of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

August 13, 2004

Management's Discussion and Analysis

Management's Discussion and Analysis

This section of International Academy of Flint's (IAF) annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year that ended on June 30, 2004.

Financial Highlights

- The Academy's financial status improved for the fifth year in a row, total net assets increased more than thirty percent (30%) over the course of the year.
- Overall revenues were \$5.96 million, fully \$109,425 more than expenses.
- The total cost of instructional programs rose eight percent (8%) to \$3.06 million.
- Revenues increased three percent (3.0 %) to \$5.96 million while expenses increased 2.6 % to \$5.85 million.
- Enrollment increased four percent (4%) to 636 students.
- The Academy has no outstanding long-term debt.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

- The first two statements are *Academy-wide financial statements* that provide both *short-term* and *long-term* information about the Academy's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Academy, reporting the Academy's operations *in more detail* than the Academy-wide statements.
- The *governmental funds* statements tell how basic services like regular education and school services (including the lunch program) were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the Academy's budget for the year.

The following chart summarizes the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain:

Major Features of Academy-wide and Fund Financial Statements

Scope	Academy-wide Statements	Fund Financial Statements
Required Financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance
Accounting Basis and Measurement Focus	Accrual Accounting and Economic Resources Focus	Modified Accrual Accounting and Current Financial Resources Focus
Type of Asset/Liability Information	All Assets and Liabilities, both Financial and Capital, Short-term and Long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of Inflow/Outflow Information	All Revenues and Expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Academy-wide Statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes *all* of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net assets and how they have changed. Net assets – the difference between the Academy's assets and liabilities – are one way to measure the Academy's financial health or *position*.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the condition of the schools buildings.

In the Academy-wide financial statements, the Academy's activities:

- *Governmental activities* – All of the Academy's basic services are included here including regular and special education, administration, and building operations, as well as community activities. State formula aid and federal funding finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's *funds*, focusing on its most significant or "major" funds – not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law such as the General Fund.
- The Academy establishes other funds to control and manage money for particular purposes (like repaying long-term debt) or to show that it is properly using certain revenues (like school lunch).

The Academy may have two kinds of funds:

- *Governmental funds* – All of the International Academy of Flint's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information along with the governmental funds statements which explain the relationship (or differences) between them.
- *Fiduciary funds* – At present the Academy does not have any fiduciary funds. However, if the Academy were the trustee, or fiduciary, for assets that belonged to others (such as scholarship funds or student activities funds) these assets would be reported in the fiduciary fund. The Academy would be responsible for ensuring that any assets reported in these funds were used exclusively for their intended purposes and by those to whom the assets belong. Such assets are excluded from the Academy-wide financial statements because they cannot be used to finance Academy operations.

Financial Analysis of the Academy-wide Results

Net assets – The Academy's total net assets were significantly larger on June 30, 2004, than they were the year before – increasing by more than thirty percent (30%) from \$364,387 to \$470,903.

The Academy's improved financial position is the product of many factors. Growth during the year in student enrollment was a significant contributor to this improvement.

Effective budgeting on the part of the Board of Directors and proper administration of the budget is another contributor to the improved financial position.

The following charts represent the Academy's net assets and changes in net assets:

Net Assets on June 30, 2004

Cash and Equivalents	\$ 427,727
Receivables	7,116
Due from other Governments	1,016,986
Other Current Assets	<u>9,910</u>
Total Assets	<u>\$1,461,739</u>
Accounts Payable	\$ 982,865
Accrued Liabilities	<u>7,971</u>
Total Liabilities	<u>\$ 990,836</u>
Unrestricted Assets	<u>470,903</u>
Total Net Assets	<u>\$ 470,903</u>

Changes in Net Assets from 2003 to 2004

Revenues:	
Local Sources	\$ 87,317
State Sources	4,646,544
Federal Sources	<u>1,228,610</u>
Total Revenues	<u>5,962,471</u>
Expenditures:	
Instruction and instructional support	3,057,105
Support Services	2,179,402
Community Services	445,158
Food Service	<u>171,381</u>
Total Expenditures	<u>5,853,046</u>
Increase in Net Assets	<u>\$ 109,425</u>

Academy Governmental Activities

The continued good health of the Academy's finances can be credited to a stable enrollment, ambitious grant seeking, and effective budget administration.

- The Academy anticipated a reduction in the foundation allowance and budgeted for a potential decrease of \$300 per pupil. The actual per pupil decrease was only \$74.
- Legal fees were kept to a minimum of \$10,744 saving the Academy in excess of \$24,000 for the year.
- 21ST Century Community Learning Center Funding and the Foreign Language Assistance Grant provided federal funds for the ongoing operation of the Academy before and after school.
- Title I funding and 31a funding helped finance the additional instruction and support services for the large population of at-risk students.

Financial Analysis of the Academy's Funds

The strong financial performance of the Academy as a whole is reflected in its governmental funds. As the Academy completed the year, its governmental funds reported combined fund balances of \$470,903, well above last year's ending fund balance of \$364,387.

The General Fund of the Academy had more revenues than expenditures in 2004, thereby, contributing to the increase in total fund balance. The School Service fund (that records the school lunch program) recorded a zero fund balance. Revenues were equal to expenditures.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the annual operating budget several times. These budgets amendments are:

- Changes made in January 2004 to reflect the award of funds from the Family Independence Agency and the award of the Foreign Language Assistance Grant.
- Changes made in May 2004 to reflect changes in the Consolidated Application and to reclassify expenditures to align them with the object level detail required by Bulletin 1022.

While the Academy's final budget for the general fund anticipated that revenues would exceed expenditures by \$40,273, the actual results for the year show a \$109,425 surplus.

- Actual revenues were \$7,326 higher than expected, due largely to an increase in special education funding from the State.

The actual expenditures were \$61,826 below budget, due entirely to decreased costs for the Board of Directors including legal fees and the provision for professional development activities for Board members.

Capital Asset and Debt Administration

Capital Assets

The Board of Directors of the Academy has adopted a \$5,000 threshold for the capitalization of assets. No purchases have been made that exceed this threshold, therefore, no assets have been recorded on the financial statements.

The Academy leases its facilities (two buildings). The leases are classified as operating leases.

Long-Term Debt

At June 30, 2004 the Academy did not have any long-term debt.

Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the Academy was aware of two circumstances that could significantly affect its financial health in the future:

- The Academy is authorized by Central Michigan University as a public school academy to offer public education in grades K-12. That authorization was originally granted in August 1999 and was recently extended to June 30, 2007. The Academy will work diligently to ensure that it reaches or exceeds the expectations and goals set forth in the Charter Contract dated August 17, 2004.
- The student enrollment is expected to continue to grow. The State recently adopted a new funding formula that will calculate the per pupil foundation at 25% of the previous year's audited student count and 75% of the current year student count. The Academy will need to ensure that it budgets appropriately in order to continue to provide services for an increasing student body that is not fully funded.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Board Liaison Officer, International Academy of Flint, 2820 S. Saginaw Street, Flint, MI 48503.

Basic Financial Statements

**International Academy of Flint, PSA
Statement of Net Assets
As of June 30, 2004**

Assets:	Governmental Activities
Cash and cash equivalents	\$ 427,727
Accounts receivable	7,116
Due from other governments	1,016,986
Prepaid expenses	9,910
Total assets	\$ 1,461,739
Liabilities	
Accounts payable	\$ 990,836
Net Assets	
Unrestricted	470,903
Total liabilities and net assets	\$ 1,461,739

International Academy of Flint, PSA
Statement of Activities
For the Year Ended June 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants
Governmental Activities:			
Instruction and instructional support	\$ 3,057,105	\$ 37,132	\$ 1,541,865
Support services	2,179,402	-	-
Food services	171,381		171,381
Community services	445,158	-	-
Total Governmental activities	\$ 5,853,046	\$ 37,132	\$ 1,713,246

General Revenues:

State of Michigan aid, unrestricted
Interest and investment earnings
Other

Total general revenues

Change in Net Assets

Net Assets:

Beginning of year
Prior year revenue adjustment

End of year

**Governmental
Activities
Net (Expense)
Revenue and
Changes in
Net Assets**

\$ (1,478,108)

(2,179,402)

-

(445,158)

(4,102,668)

4,197,843

2,645

11,605

4,212,093

109,425

364,387

(2,909)

\$ 470,903

International Academy of Flint, PSA
Balance Sheet
Governmental Funds
As of June 30, 2004

	General	Other Nonmajor Governmental Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 427,727	\$ -	\$ 427,727
Accounts receivable	7,116	-	7,116
Due from other governments	1,009,005	7,981	1,016,986
Prepaid expenses	9,910	-	9,910
Total assets	<u>\$ 1,453,758</u>	<u>\$ 7,981</u>	<u>\$ 1,461,739</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 982,855	\$ 7,981	\$ 990,836
Total liabilities	<u>982,855</u>	<u>7,981</u>	<u>990,836</u>
Fund equity:			
Fund balance - unreserved	<u>470,903</u>	<u>-</u>	<u>470,903</u>
Total liabilities and fund equity	<u>\$ 1,453,758</u>	<u>\$ 7,981</u>	<u>\$ 1,461,739</u>
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets			
Total Government Fund Balances			\$ 470,903
Basis reporting differences			<u>-</u>
Net assets of governmental activities			<u>\$ 470,903</u>

**International Academy of Flint, PSA
Statement of Revenue, Expenditures and
Changes in Fund Balances
Governmental Funds
As of June 30, 2004**

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue- Lunch Program</u>	<u>Governmental Funds</u>
Revenues			
Local sources	\$ 87,317	\$ -	\$ 87,317
State sources	4,641,870	4,674	4,646,544
Federal sources	1,061,903	166,707	1,228,610
Total revenues	5,791,090	171,381	5,962,471
Expenditures			
Current:			
Instruction and instructional support services	3,057,105	-	3,057,105
Support services	2,179,402	-	2,179,402
School services - food service	-	171,381	171,381
Community services	445,158	-	445,158
Total expenditures	5,681,665	171,381	5,853,046
Net change in fund balances	109,425	-	109,425
Fund balances - beginning of year	364,387	-	364,387
Prior year adjustment	(2,909)	-	(2,909)
Fund balances - end of year	\$ 470,903	\$ - 0 -	\$ 470,903

International Academy of Flint, PSA
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balances - Total governmental funds	\$ 109,425
Accounting basis differences	<u>-</u>
Change in net assets of govenmental activities	<u><u>\$ 109,425</u></u>

Notes to Financial Statements

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies

The accounting policies of the International Academy of Flint, PSA (Public School Academy) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Public School Academy:

Reporting entity

Organization:

International Academy of Flint, PSA, ("the School") is a body corporate and governmental entity organized under the Michigan School Code of 1976 as amended. It is organized and operates as a public school academy eligible to receive state school aid. The school received its initial charter approval from Central Michigan University (CMU) on August 17, 1999.

Contract with the Management Company:

The School Board entered into a contract on August 10, 1999 with Flint Education Management, LLC (a company owned by SABIS Educational Systems, Inc.). Under the agreement, Flint Education Management, LLC (FEM) manages and operates the School. Generally, FEM receives 95 percent of the state school aid received by the School after a 3% administration fee is deducted by CMU. FEM is responsible for reporting to the School's Board, the expenditures made in accordance with the budget adopted by the Board. FEM retains any management fees in excess of expenditures and the School is not liable to fund any deficits incurred by FEM. Expenditures made by FEM are reported as "purchased services" in the School's statement of revenues, expenditures and changes in fund balance. The main facility (2820 S. Saginaw Street) is owned by Flint Property Management, LLC (a company owned by SABIS Educational Systems, Inc.) and leased to the School.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Public School Academy's reporting entity, and which organizations are legally separate, component units of the Public School Academy. Based on the application of the criteria, the Academy does not contain any component units.

Academy-wide and fund financial statements

The Academy-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies – (continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds (the "General Fund") are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

Academy-wide statements:

The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the Academy-wide financial statements.

Fund based statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Fiduciary Fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The Public School Academy reports the following major governmental funds:

The General Fund is the Public School Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The Food Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of the food service activity from regular revenue and expenditure accounts. The Public School Academy maintains full control of this fund.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies – (continued)

Measurement focus, basis of accounting and financial statement presentation – (continued)

Fund based statements: - (continued)

Fiduciary Funds are used to account for assets held by Public School Academies in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the Academy-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Academy has no fiduciary type funds at June 30, 2004.

Assets, liabilities, and net assets or equity

Deposits and investments:

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of twelve-months or less when acquired. Investments, when held, are stated at fair value.

Receivables:

All receivables are shown net of an allowance for uncollectible amounts. Management has determined that no allowance is required for receivables at June 30, 2004.

The State of Michigan utilized a foundation allowance approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The Academy also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Capital assets:

Capital assets, such as land, buildings, equipment, and vehicles, generally are reported in the applicable governmental column in Academy-wide financial statements, when applicable. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The Public School Academy does not have any capital assets or infrastructure type assets at June 30, 2004. All equipment and similar assets owned by the Academy individually cost less than \$5,000 and therefore, is not reflected in the Academy-wide financial statements. The aggregate original cost of these assets was \$441,922.

Compensated absences:

The liability for compensated absences for Academies generally is reported in the Academy-wide statements. The Academy has only one employee for which there is currently, no compensated absences due.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies – (continued)

Measurement focus, basis of accounting and financial statement presentation – (continued)

Long-term obligations:

In the Academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets, when present. The Academy has no long-term obligations at June 30, 2004.

Fund equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations, if applicable, of fund balance represent tentative management plans that are subject to change.

Comparative date/reclassifications:

Comparative data is not included in the Academy's basic financial statements.

2. Stewardship, compliance, and accountability

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations). For the general fund and individual special revenue fund the functional level was the legal level of budgetary control. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Academies to amend its budgets during the year. There was one significant amendment during the year.

Excess of expenditures over appropriations in budgeted funds:

The Public School Academy had expenditure budget variances as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Instruction- Basic programs	\$1,694,607	\$1,724,522	\$ (29,915)
Instructional staff	69,685	70,831	(1,146)
Other Instructional services	84,208	347,602	(263,394)

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2004

3. Deposits and investments

Deposits:

State statutes and the Public School Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The Public School Academy's deposits are in accordance with statutory authority.

At year-end, the Public School Academy's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and cash equivalents	\$427,727
Investments – short-term	-
Total	<u>\$427,727</u>

The breakdown between deposits and investments for the Public School Academy is as follows:

Deposits (checking and savings accounts)	\$ 31,694
Investments in securities, mutual funds and similar vehicles	396,033
Petty cash and cash on hand	-
Total	<u>\$427,727</u>

The deposits of the Public School Academy were reflected in the accounts of the Financial Institution at \$861,715 of which \$100,000 is covered by federal depository insurance.

Investments:

The Public School Academy held no investments at June 30, 2004.

4. Retirement plan

Plan Description. All full-time employees participate in the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer retirement system. MPERS is a discretely presented component unit of the State of Michigan and issues a comprehensive annual financial report annually.

MPERS members participate on a contributory basis. Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. MPERS annually issued a stand-alone Comprehensive Annual Financial Report for the year ended September 30, 2002. This report can be obtained by calling (517) 322-5103, or writing to the Office of Retirement Systems, Michigan Public School Employees' Retirement System, 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103. It can also be viewed on the State of Michigan MPERS web site at www.state.mi.us/dmb/org/MPERS/index.htm.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2004

4. Retirement plan – (continued)

The Academy has adopted Governmental Accounting Standards Board (GASB) Statements No. 26 *Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Plans*, and No. 27 *Accounting for Pensions by State and Local Governmental Employees*.

Regular retirement benefits are payable monthly for the lifetime of a retiree and equals 1½ % of a member's final average compensation. A member may retire with an early permanently reduced pension after: (1) completing at least 15 years but less than 30 years of credited service, (2) attaining age 55, and (3) completing credited service in each of the 5 school years immediately preceding the pension effective date. The early pension is computed in the same manner as a regular pension but permanently reduced by one-half of one percent for each month between the pension effective date and the date the member will attain age 60. MPSERS also provides comprehensive group medical, hearing, dental, and vision insurance coverage for retirees and beneficiaries.

A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service; at age 60 with 10 years or more of credited service; or at age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the 5 school fiscal years immediately preceding the pension effective date. A Basic Plan member may retire at age 55 with 30 or more years of credited service, or at age 60 with 10 or more years of credited service. There is no mandatory retirement age.

Funding Policy. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contributes at a permanently fixed rate of 3.9% of gross wages. After December 31, 1989, membership in MIP is mandatory and members contribute at the following graduated permanently fixed contribution rate: 3% for the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions.

The Academy forwarded \$1,634 of MIP contributions withheld from employees during the year ended June 30, 2004.

Each MPSERS employer is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care premium amounts on a cash disbursement basis. For the year ended June 30, 2004, the Academy was required to pay 12.17% of eligible employees' compensation from July 1, 2003 through September 30, 2003 and 12.99% of eligible employees' compensation from October 1, 2003 through June 30, 2004. The contributions made by the Academy amounted to \$5,758, \$5,114, and \$2,442, for the years ended June 30, 2004, 2003, and 2002, respectively. All contributions made were equal to required contributions by the MPSERS.

The Academy's annual contribution represents less than 1% of the total contributions received by the MPSERS. Historical trend information showing funding progress, employer contributions and actuarial assumptions for the entire MPSERS plan is presented in the MPSERS September 30, 2003 comprehensive annual financial report.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2004

4. Retirement plan - (continued)

Post-employment benefits. Under the MPSERS Act, all retirees have the option of continuing health, dental, and vision coverage, which are funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide comprehensive group medical, hearing, dental, and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premiums is paid by MPSERS, with the balance deducted from the monthly pension. Public Act 180 also authorized payments to employers as a one time \$174.5 million reduction in MPSERS reserves for health benefits, which in years prior to 1991 was pre-funded.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan, and Hearing Plan coverage with the following exceptions:

- (1) Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
- (2) Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially paid health benefit coverage.

Dependents are eligible for 90% employer paid health coverage.

During the year ended September 30, 2003, there were 139,994 eligible participants in the MPSERS that are eligible to receive benefits, of which, 115,908 are currently receiving benefits. Benefit expenditures for the post-employment benefits for the MPSERS as a whole were \$606,655,077 for the year ended September 30, 2003.

5. Contingencies

Federally assisted programs:

The Public School Academy participates in various federally assisted programs. These programs are subject to compliance audits in accordance with the Single Audit Act. A single audit was required since the Public School Academy expended more than \$500,000 in federal funds. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although, the Public School Academy expects such amounts to be immaterial.

6. Risk management

The Public School Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employer injuries. The Public School Academy has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

International Academy of Flint, PSA
Notes to Financial Statements
June 30, 2004

8. Operating leases

International Academy of Flint, PSA leases its facilities (two buildings) at monthly rates ranging from \$14,356 to \$81,821 during the year ended June 30, 2004. Facility leases end July 31, 2006 and June 30, 2004. The leases are classified as operating leases. Lease expense for the year ended June 30, 2004 totaled \$1,162,127.

The following is a schedule of future minimum rental payments required under the noncancelable operating lease:

2005	\$1,154,794
2006	<u>14,356</u>
	<u>\$1,169,150</u>

Required Supplemental Information

**International Academy of Flint, PSA
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2004**

General Fund				
	Budgets		Actual Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local sources	\$ 60,648	\$ 146,155	\$ 87,317	\$ (58,838)
State sources	4,594,910	4,594,910	4,641,870	46,960
Federal sources	491,256	1,042,699	1,061,903	19,204
Total revenues	5,146,814	5,783,764	5,791,090	7,326
Expenditures:				
Current:				
Instruction:				
Basic programs	1,612,751	1,694,607	1,724,522	(29,915)
Added needs	941,234	1,089,162	891,166	197,996
Pupil - guidance services	25,488	22,984	22,984	-
Instructional staff	69,685	69,685	70,831	(1,146)
Other instructional services	-	84,208	347,602	(263,394)
Total instruction	2,649,158	2,960,646	3,057,105	(96,459)
Support services:				
General administration - Board	132,000	136,690	74,767	61,923
Executive administration	133,127	133,107	126,557	6,550
School administration	697,955	531,024	529,816	1,208
Business	1,196,127	1,161,878	1,156,669	5,209
Operation and maintenance	291,593	291,593	291,593	-
Total support services	2,450,802	2,254,292	2,179,402	74,890
Community services	-	528,553	445,158	83,395
Total expenditures	5,099,960	5,743,491	5,681,665	61,826
Excess (deficiency) of revenues over expenditures	46,854	40,273	109,425	(69,152)
Budgetary fund balance - beginning of year	364,387	364,387	364,387	-
Prior year adjustment	-	-	(2,909)	2,909
Budgetary fund balance - end of year	\$ 411,241	\$ 404,660	\$ 470,903	\$ (66,243)

Other Supplemental Information

International Academy of Flint, PSA
Other Supplemental Information
Balance Sheet
Non-major Governmental Funds
As of June 30, 2004

	Special Revenue Fund Food Service	Non-major Governmental Fund Total June 30, 2004
Assets		
Due from other governments - State	\$ 7,981	\$ 7,981
Total assets	<u>\$ 7,981</u>	<u>\$ 7,981</u>
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 7,981	\$ 7,981
Total liabilities	<u>7,981</u>	<u>7,981</u>
Fund equity:		
Fund balance - unreserved	<u>-</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 7,981</u>	<u>\$ 7,981</u>

**International Academy of Flint, PSA
Other Supplemental Information
Statement of Revenue, Expenditures
and Changes in Fund Balance- Budget and Actual
Non-major Governmental Funds
For the Year Ended June 30, 2004**

	<u>Special Revenue Fund Food Service Budget</u>	<u>Special Revenue Fund Food Service Actual</u>	Variance	<u>Total Non-major Governmental Fund Actual</u>
Revenues:				
State sources	\$ -	\$ 4,674	\$ 4,674	\$ 4,674
Federal sources	250,000	166,707	(83,293)	166,707
Total revenues	250,000	171,381	(78,619)	171,381
Expenditures:				
School services activities - purchased services	250,000	171,381	78,619	171,381
Total expenditures	250,000	171,381	78,619	171,381
Excess of revenues (under) expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

**International Academy of Flint, PSA
Other Supplemental Information
General Fund
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003**

		General Fund		
		2004 Budget	2004 Actual	2004 Variance Favorable (Unfavorable)
				2003 Actual
Revenues:				
Local sources:				
Miscellaneous local sources		\$	11,605	\$ 9,230
Act 18 - Intermediate District			35,935	66,464
Family Independence Agency				
-fee for services			37,132	99,427
Interest			2,645	2,270
Total local sources	\$ 146,155	87,317	\$ (58,838)	177,391
State sources:				
State aid			4,197,843	4,117,175
Restricted - state pass through			444,027	419,528
Unrestricted state grants			-	5,934
Total state sources	4,594,910	4,641,870	46,960	4,542,637
Federal sources:				
Restricted - federal pass through			128,744	92,130
Restricted - state pass through			871,612	468,634
Unrestricted - federal pass through			-	-
Other federal revenue			61,547	358,117
Total federal sources	1,042,699	1,061,903	19,204	918,881
Total revenues	\$ 5,783,764	\$ 5,791,090	\$ 7,326	\$ 5,638,909

See notes to financial statements.

International Academy of Flint, PSA
Other Supplemental Information
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	General Fund			2003 Actual
	2004 Budget	2004 Actual	2004 Variance Favorable (Unfavorable)	
Expenditures:				
Instruction - purchased services:				
Basic programs	\$ 1,694,607	\$ 1,724,522	\$ (29,915)	\$ 1,481,087
Added needs:				
Compensatory education - Titles I,II, other	704,531	534,638	169,893	637,676
Special education	384,631	356,528	28,103	492,014
Total added needs	1,089,162	891,166	197,996	1,129,690
Instructional services - purchased services:				
Pupil - purchased services	22,984	22,984	-	35,993
Instructional staff	69,685	70,831	(1,146)	112,430
Other instructional services	84,208	347,602	(263,394)	52,756
Total instructional services	176,877	441,417	(264,540)	201,179
Total instruction	2,960,646	3,057,105	(96,459)	2,811,956
Support services:				
General administration- Board of Education:				
Salaries		41,020		
Benefits		9,104		
Purchased services		23,502		
Supplies, materials, and other		1,141		
Total general administration	136,690	74,767	61,923	108,571
Executive administration- CMU oversight, other	133,107	126,557	6,550	116,889
School administration - purchased services	531,024	529,816	1,208	536,173
Business and facilities -purchased services	1,161,878	1,156,669	5,209	1,181,339
Operation and maintenance - purchased	291,593	291,593	-	284,196
Total support services	2,254,292	2,179,402	74,890	2,227,168
Community services - purchased services:	528,553	445,158	83,395	516,026
Total expenditures	\$ 5,743,491	\$ 5,681,665	\$ 61,826	\$ 5,555,150

The budget information presented is in greater detail than the amended budget adopted.

Independent Auditors' Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements in
Accordance with *Government Auditing Standards*

Board of Trustees
International Academy of Flint, PSA
Flint, Michigan

We have audited the accompanying general purpose financial statements of International Academy of Flint, PSA for the year ended June 30, 2004, and have issued our report thereon dated August 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether International Academy of Flint, PSA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered International Academy of Flint, PSA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, the State of Michigan and other agencies. However, this report is a matter of public record and its distribution is not limited.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

August 13, 2004

OMB Circular A-133 Compliance Report

**International Academy of Flint, PSA
Flint, Michigan**

June 30, 2004

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Independent Auditors' Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Board of Directors
International Academy of Flint, PSA
Flint, Michigan

We have audited the financial statements of International Academy of Flint, PSA as of and for the year ended June 30, 2004, and have issued our report thereon dated August 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether International Academy of Flint, PSA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered International Academy of Flint, PSA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended for and should not be used by anyone other than these specified parties.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

August 13, 2004

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133**

Board of Directors
International Academy of Flint, PSA
Flint, Michigan

Compliance

We have audited the compliance of International Academy of Flint, PSA with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. International Academy of Flint, PSA's major federal programs are identified in the accompanying schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of International Academy of Flint, PSA's management. Our responsibility is to express an opinion on International Academy of Flint, PSA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about International Academy of Flint, PSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on International Academy of Flint, PSA's compliance with those requirements.

In our opinion, International Academy of Flint, PSA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

The management of International Academy of Flint, PSA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered International Academy of Flint, PSA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of International Academy of Flint, PSA as of and for the year ended June 30, 2004, and have issued our report thereon dated August 13, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *"Audits of States, Local Governments, and Non-Profit Organizations"* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended for and should not be used by anyone other than these specified parties.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

August 13, 2004

International Academy of Flint, PSA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency Contract Number</u>	<u>Accrued (Deferred) June 30, 2003</u>
United States Department of Education			
Direct:			
PEP-C.M. White Physical Fitness	84.215F	-	\$ -
21 st Century Learning Center *	84.287	2003/03	28,081
Foreign Languages Assistance Program	84.293B	03/04	-
Total U.S. Department of Education – Direct			<u>28,081</u>
Passed through the Michigan Department of Education:			
21 st Century Learning Centers *	84.287	032110-21ST02069	<u>20,321</u>
<u>Title I *</u>			
Title I – Part A 2002/03*	84.010	031530-0203	31,436
Title I – Part A 2003/04*	84.010	041530-0304	-
Total Title I			<u>31,436</u>
<u>Title II</u>			
Title II – Class size reduction carryover	84.340	021450-0203	2,006
Title II A	84.367	030520-0203	-
Title II – Improving Teacher Quality	84.367	040520-0304	-
Title II D – Technology Literacy	84.318	034290-0203	-
Title II D – Technology Literacy	84.318	044290-0304	-
Total Title II			<u>2,006</u>
<u>Title V</u>			
Title V – Regular 2002/03	84.298	030250-0203	82
Title V – Regular 2003/04	84.298	040250-0304	-
Total Title V			<u>82</u>
Total U.S. Department of Education passed through the Michigan Department of Education			<u>53,845</u>
United States Department of Education			
Passed through Genesee Intermediate School District: C11			
IDEA – Special Education	84.027	030450-0203	18,492
IDEA – Special Education	84.027	040450-0203	-
IDEA – Special Education – Transition	84.027	-	-
Total IDEA – Special Education			<u>18,492</u>

* Indicates a major program.

<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) June 30, 2004</u>	<u>Total Award Amount</u>
\$ 3,740	\$ 3,740	\$ -	\$ 3,740
31,426	3,345	-	3,345
28,412	53,693	25,281	91,990
63,578	60,778	25,281	
383,292	395,629	32,658	442,146
43,264	11,828	-	355,778
240,327	319,186	78,859	321,410
283,591	331,014	78,859	
2,013	7	-	62,410
45,935	45,935	-	84,199
62,865	80,076	17,211	80,076
2,710	2,710	-	10,265
7,788	7,788	-	7,788
121,311	136,516	17,211	
82	-	-	10,662
4,574	8,453	3,879	9,141
4,656	8,453	3,879	
792,850	871,612	132,607	
18,492	-	-	N/A
118,469	128,744	10,275	N/A
598	598	-	
137,559	129,342	10,275	

(continued)

International Academy of Flint, PSA
Schedule of Federal Programs (continued)
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	Agency Contract <u>Number</u>	Accrued (Deferred) <u>June 30, 2003</u>
United States Department of Education			
Passed through Genesee Intermediate			
School District: C11 – (continued)			
Title II B – Eisenhower	84.281	020270-0203	4,401
Safe and drug free – Saturdays	84.186	032860-0203	<u>-</u>
Total U.S. Department of Education			
Passed through Genesee Intermediate			
School District			<u>22,893</u>
Total United States Department of Education			<u>104,819</u>
United States Department of Agriculture			
Passed through the Michigan Department			
of Education:			
School Breakfast	10.553		1,220
National School Lunch	10.555		6,337
Summer Food Service	10.559	61334	-
Food Distributions:			
Entitlement Commodities	10.550	25905	-
Bonus Commodities	10.550	25905	<u>-</u>
Total Department of Agriculture			
passed through the Michigan			
Department of Education			<u>7,557</u>
Total Federal Awards			<u>\$112,376</u>

The notes are an integral part of this schedule.

<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) June 30, 2004</u>	<u>Total Award Amount</u>
4,401	-	-	4,401
171	171	-	171
<hr/>			
142,131	129,513	10,275	
<hr/>			
998,559	1,061,903	168,163	
<hr/>			
23,988	24,021	1,253	25,068
141,165	141,556	6,728	140,086
-	-	-	
745	745	-	745
385	385	-	385
<hr/>			
166,283	166,707	7,981	
<hr/>			
<u>\$1,164,842</u>	<u>\$1,228,610</u>	<u>\$176,144</u>	

**International Academy of Flint, PSA
Schedule of Expenditures of Federal Awards
Provided to Subrecipient
For the Year Ended June 30, 2004**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency Contract Number</u>	<u>Accrued (Deferred) June 30, 2003</u>
United States Department of Education 21 st Century Learning Center Passed through to: Center Academy of Flint	84.287	2003/03	\$ -
Total Federal Funds Passed Through to Subrecipient			\$ -0-

<u>Cash</u> <u>Receipts</u>	<u>Expenditures</u>	Accrued (Deferred) <u>June 30, 2004</u>
<u>\$108,645</u>	<u>\$122,487</u>	<u>\$ 13,842</u>
<u>\$108,645</u>	<u>\$122,487</u>	<u>\$ 13,842</u>

International Academy of Flint, PSA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

- Note 1. Basis of Presentation – The schedule of expenditures of federal awards is presented on the accrual basis of accounting.
- Note 2. Source of Data – Management has used the Grants Section Auditors Report (Form R7120) in preparing the schedule of expenditures of federal awards.
- Note 3. Subrecipients – The International Academy of Flint, PSA has provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Subrecipient</u>	<u>Accrual Expenditures</u>
84.287 21 st Century Learning Center	Center Academy of Flint	\$122,487

- Note 4. Reconciliation of Federal Award Expenditures – The amount of expenditures of federal awards for the year ended June 30, 2004 was \$1,228,610. The amount of federal revenues reported in the Academy's basic financial statements (page 13) was \$1,228,610.
- Note 5. Food Distribution – Non-monitoring assistance is reported in the schedule of the fair market value of the commodities received and disbursed.

**International Academy of Flint, PSA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

Part I

1. Did the auditee expend more than \$25,000,000
in federal awards during the fiscal year? Yes X No
2. If answer to question 1 was yes, indicate which
federal agency provided the predominant amount
of direct funding. _____

Part II – Financial Statements

Type of auditor's report issued: Unqualified

Going concern explanatory paragraph included Yes X No

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified

Not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements
noted? Yes X No

Findings related to the financial statements reported in accordance with *Governmental Auditing Standards*: None

Part III – Federal Programs

Type of auditor's report issued on compliance
for major programs: Unqualified

Does the auditor's report include a statement
that the auditee's financial statements include
departments, agencies, or other organizational
units expending greater than \$300,000 in Federal
awards that have separate A-133 audits which are
not included in this audit? Yes X No

Dollar threshold used to distinguish
between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee Yes X No

(continued)

International Academy of Flint, PSA
Schedule of Findings and Questioned Costs – (continued)
Year Ended June 30, 2004

Part III – Federal Programs – (continued)

Is a reportable condition disclosed for any major program? Yes X No

Is any reportable condition reported as a material weakness? Yes X No

Are any known questioned costs reported? Yes X No

Was a Summary Schedule of Prior Audits Findings Prepared? X Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.287</u>	<u>21st Century Learning Center</u>
<u>84.010</u>	<u>Title-I</u>

Findings related to the federal award programs: None

**International Academy of Flint, PSA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2004**

There were no prior year audit findings.